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THE TAX LAWYER

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Are IRS Tax Collectors The New Men In Black?

[Men in Black 3](#) opened May 25th. If you're like me, you may have sympathy for some of the weird aliens, especially if you've felt like an alien yourself. You might feel this way if you're interacting with the IRS Collection Division. Their job is to collect taxes and they've heard every excuse in the book (and some outside of it). So it's no wonder if they seem harsh.

Recently, though, the IRS is kinder and gentler and might be willing to cut you a little slack. Sure, tax resolution firms have not fared well in recent years. See

[Owe The IRS? TaxMasters Bankruptcy Shows Why Not To Get Help From TV Pitchmen](#). For many tax resolution shops, the major product they sell is the offer in compromise or OIC. IRS [Form 656-B](#), Offer in Compromise Booklet, contains information, worksheets, and all forms necessary to file an offer in compromise. The IRS has good information on OICs on its [website](#).

In general, an OIC is an agreement in which the IRS settles for less than the full amount owed. It's generally not accepted if the IRS believes the



liability can be paid in full all at once or over time. The IRS looks at your income and assets to determine reasonable collection potential.

But with many people struggling to pay their bills, the IRS is making the OIC program a little easier. Here are key facts:

1. You must have filed all your tax returns. The OIC system can be based on bills the IRS has sent you from audits. Usually, though, they are just trying to collect the tax you reported on your returns (called “self-assessed”). All your filings must be up to date.
2. The IRS won’t consider you unless you fully disclose your personal finances in detail on IRS [Form 433-A](#), Collection Information Statement for Wage Earners and Self-Employed Individuals. If you have a business, you must also complete [Form 433-B](#), Collection Information Statement for Businesses. If you need help completing them, see [Publication 1854](#), How to Prepare a Collection Information Statement.
3. Even if you have few assets, if you have good earnings prospects, the IRS may not agree to accept less.
4. IRS collection activity like levying on property and garnishing wages generally must stop while the IRS is considering your offer. That can take many months, and there are certain procedural appeals.
5. The IRS recently announced in [IR-2012-53](#), May 21, 2012, a Fresh Start initiative. The IRS’s more flexible terms should enable some financially distressed taxpayers to clear up their tax problems. The change focuses on the financial analysis used to determine who qualifies. It should enable some taxpayers to resolve tax problems in as little as two years compared to four or five years in the past.
6. The IRS is:
 - Softening its calculation of your future income.
 - Allowing taxpayers to repay student loans.
 - Allowing taxpayers to pay state and local delinquent taxes.
 - Expanding Allowable Living Expenses.

For more, see:

[GAO-06-525, IRS Offers in Compromise](#)

[Using an Offer in Compromise to Settle a Tax Bill](#)

['Tax Lady' Roni Lynn Deutch closes law firm, says she's 'completely broke'](#)

[Tax Lady Roni Deutsch Bankrupt, Surrendering Bar License](#)

[No More King Size Snickers, No More Taxes at J.K. Harris](#)

[Pennies On The Dollar Tax Relief: How Much Is It Worth?](#)

[Who NOT To Hire To Do Your Taxes](#)

[Got A Tax Notice? Here's What To Do](#)

[Should You Grant IRS More Audit Time?](#)

[Attorney General Pursues 'Tax Lady' Roni Deutsch](#)

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